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TRANSACTION COSTS IN AN ASSOCIATION OF ORGANIC FARMERS IN GOIANIA, GO, BRAZIL

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OBJECTIVE

To analyse the transaction costs of an association of organic farmers (ADAO/GO) located in Goiania, Goiás state, Brazil.

METHODOLOGY

We analysed the marketing and organisation relations based on data collected at the Association for the Development of Organic Farming in Goiás state (ADAO/GO). This association exists since 2000. It brings together small farmers, technicians and consumers who practice organic farming and are organised to improve marketing, disseminating production techniques and encourage the consumption of organic products. Information on the association, number of associates, meetings, decision process etc. were obtained through interviews with association leaders.

RESULTS AND DISCUSSION

Advantages of being associated to ADAO/GO:

- + The possibility of direct marketing in organic fairs;
- + Lower certification costs;
- + Higher visibility of products;
- + Independence from supermarkets;
- + Knowledge sharing among farmers and technicians;
- + Diversified production and offer (overcome asset specificity).

Disadvantages of being associated to ADAO/GO:

- Requires time due to frequent meetings;
- Participation in all decision making and voting (time spending);
- Risk of potential losses if reputation of the association is hit;
- Slow decision making process;
- Dependence on voluntary work of its members.

Transaction costs of being associated to ADAO/GO:

- Time: attendance to meetings;
- Travel: mobility since farmers live outside of the capital region;
- Trust setup and maintenance: since being organic is an invisible trait, consumers and farmers need to trust each other;
- Certification: costs of audits and residue analysis;
- Risk: if any associated farmer has opportunistic behavior and endangers the certification scheme, all farmers will lose.



CONCLUSIONS AND OUTLOOK

The main transaction costs for organic farmers being members of ADAO/GO association are related to:

- Spending in time and dislocation for meetings;
- Potential losses due to potential opportunistic behaviour of members (loss of reputation) in collective action; and
- Asset specificity related to small scale and its limitations in terms of product diversity and quantity (specialization and organisation in fairs contribute for its reduction).

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